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TAGS: [EFIN](#) [PTER](#) [EINV](#) [TU](#) [IR](#)
SUBJECT: U/S LEVEY DISCUSSES IRAN WITH TURKISH BANKS

Classified By: Consul General Deborah K. Jones for reasons 1.5 (b) and (d)

This message was coordinated with Embassy Ankara

11. (C) Summary: In meetings on December 4 and 5, Treasury U/S Stuart Levey briefed leading Turkish bankers on the risks posed by deceptive Iranian banking practices. U/S Levey noted that Iranian interest in Turkey would likely increase as European banks pull back from their Iran business and urged caution and awareness. Ersin Ozince, head of the Banks Association, assured U/S Levey that the Banks Association has incorporated the first OFAC list into the watchlist it distributes to member banks, along with UNSC and EU lists. Participation (non-interest) banks are currently only using the UNSC watchlist in their 'know your customer' efforts; however, Albaraka Turk General Manager Adnan Buyukdeniz seemed receptive to the idea of using the OFAC list and suggested that U/S Levey contact the Participation Banks Association with more details. End Summary.

Background

12. (SBU) Treasury U/S Stuart Levey led an interagency team that visited Turkey to brief key Turkish banking sector officials on risks to the international financial sector posed by the Iranian regime. U/S Levey's team included NEA/IR Deputy Director Henry Wooster, Treasury Policy Advisor for Terrorist Finance and Financial Crime Kristen Hecht and Financial Analyst Matthew Epstein. While in Istanbul on December 4, U/S Levey met Garanti Bank CEO Ergun Ozen, Is Bank CEO and Bankers Association Chairman Ersin Ozince, and Albaraka Turk General Manager Adnan Buyukdeniz. He also met Halk Bank General Manager Huseyin Aydin on December 5 in Ankara.

13. (C) U/S Levey explained that there is no rival to Iran as a terrorism financing state, noting that Iran has provided \$200 million to Hezbollah. He is meeting with leading financial institutions around the world to describe some of the deceptive financial practices that the Iranian regime utilizes and to stress the need for enhanced vigilance. His presentation focused on three types of deceptive practices: the use of front companies, disguised transactions/cover payments and co-mingled charitable and illicit operations by state-controlled foundations (bonyads). The presentation cited examples from prosecutions in the United States and investigations involving U.S. companies to demonstrate the breadth of the problem. U/S Levey underscored the reputational risk that could result for banks that get caught unwittingly in proliferation-related or terrorist finance-related transactions. He explained that European banks have begun to curtail Iranian access to financial services and trade financing. He cautioned that as a result Iranian state-owned banks and Iranian-related entities are likely to seek banking services in other countries, including Turkey, a point which resonated with his interlocutors.

Garanti Bank

14. (C) Garanti Bank CEO Ergun Ozen told U/S Levey that Garanti completely stopped doing business with Iran when GE became a major shareholder in 2005. He told U/S Levey he would confirm this understanding, but was quite confident that Garanti currently conducted no business with Iran. U/S Levey explained that his goal was to reach out to the leadership of the banking community to build up awareness within the community, a point Ozen agreed was important. Ozen suggested briefing Yapi Kredi and Ak Bank in addition to meetings U/S Levey already had scheduled, noting that the other major Turkish banks were either all or partially foreign-owned and like Garanti would work closely with their foreign partner on issues like terrorist financing. He also suggested briefing state-owned Ziraat Bank and Vakif Bank. Ozen told U/S Levey he thought Turkish state-owned banks were behind the private sector in terms of focus on terrorist finance and noted that the banking community in general paid more attention to money laundering than to terrorist financing issues.

Is Bank / Bankers' Association

15. (C) Is Bank CEO and Bankers Association Chairman Ersin Ozince and Bankers Association Secretary-General Ekrem Keskin began their meeting with U/S Levey with a very general presentation on financial crimes that demonstrated that the Bankers Association devotes more attention to promoting international anti-money laundering standards and related transactions than to addressing and combatting terrorist

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financing in the Turkish financial sector. U/S Levey urged Ozince to press the Government of Turkey (GOT) to bring the legal framework of the banking sector up to international standards. U/S Levey stressed the importance of upgrading the relevant legislation to reduce risk factors thus making it easier for Turkish banks to borrow internationally. Ozince described U/S Levey's presentation as "an eye-opener" for him as a practitioner. He noted that business relations with Iran were very small scale and that Iraq and the PKK were much greater problems for Turkey and by extension Turkish banks. U/S Levey acknowledged that PKK terrorism was a particular problem for Turkey, but explained that banks were not facilitating the funding of PKK activities in Turkey. The problem with Iran, by contrast, is a 'bank problem' and the banking community must be mindful of Iran-related business risks as it expands in the region.

Albaraka Turk

16. (C) U/S Levey's final Istanbul meeting was with General Manager Adnan Buyukdeniz, and Vice Chairman Yalcin Oner of Albaraka Turk, a "participation" (no interest) bank. Buyukdeniz assured U/S Levey that as a financial institution Albaraka Turk has no relations with Iranian banks. Buyukdeniz explained that Albaraka has no correspondent accounts, issues no letters of credit or loan guarantees and therefore has "no problems" with Iran. According to Buyukdeniz, Iranian companies tend to route business outside Iran through Iranian banks. As a result Iranian importers of Turkish goods tend to make the use of Bank Mellat a pre-condition. U/S Levey asked whether Albaraka customers requested assistance doing business with Iran. Buyukdeniz said there was no demand for trade financing or other Iran-related banking services from Albaraka customers. Buyukdeniz noted that approximately 40-50% of Albaraka's international business is with the EU and that the distribution of their foreign business tends to follow overall trade patterns.

17. (C) Buyukdeniz underscored the importance Albaraka places on its reputation and described the efforts the bank undertakes to ensure compliance with suspicious transaction reporting requirements and know-your-customer principles. U/S Levey asked whether Albaraka incorporated information from OFAC into its review of suspicious transactions. Buyukdeniz indicated that Albaraka uses the list conveyed to all banks by the GOT in the immediate aftermath of 9/11 (the UNSC list). U/S Levey asked whether Albaraka would consider using the OFAC list, which is much broader and includes terrorist groups other than Al-Qaeda, in addition to the UNSC list. Buyukdeniz noted that without instructions from the Participation Banks Union, Albaraka could not turn down a transaction based on foreign government information. Noting that no bank wants to be involved in "bad transaction" he encouraged U/S Levey to provide the Participation Banks Union with information on the OFAC list so that they could consider incorporating the OFAC information into their anti-terrorist financing procedures.

Halk Bank

18. (C) At Halk Bank headquarters in Ankara, U/S Levey met with General Manager Huseyin Aydin and Murat Cetinkaya, Senior Manager for International Banking. Aydin and Cetinkaya explained that Halk Bank, and all Turkish banks, extend zero credit lines to Iran because of the country risk.

Halk has a one-person representative office in Iran that it inherited when it merged with Pamuk Bank in 2004. Cetinkaya said they do not make a profit on business generated by the rep office and only kept it open to "wait and see." He said their very limited business with Iran consists of payments in support of Turkish exports under unconfirmed letters of credit. The total amount was something on the order of \$1-2 million dollars. All the transactions are with known Halk Bank customers. He claimed that Halk Bank strictly follows know-you-customer rules. Cetinkaya confirmed that Halk Bank uses the OFAC list to check against its transactions. He claimed that Halk Bank's information technology was very sensitive and would pick up any name on the OFAC list.

Comment and Action Request

19. (C) These meetings brought a chilling message about on-going manipulation of the international financial system by the Iranian regime directly to senior Turkish bankers from all parts of the sector: private commercial banks, state owned banks and "participation" banks. Based on the conversations it appears that private commercial banks, as

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well as state owned banks, have incorporated the OFAC list into their screening procedures although the participation banks have not. We would be delighted to work with Treasury to deliver a copy of the OFAC list to Osman Akyuz, head of the Participation Banks Association, and to urge his organization to incorporate this information into their anti-terrorist finance procedures. End Comment.

10. Treasury U/S Levey cleared this message.

JONES